CHAPTER ONE

Historical Perspectives on Nonprofit Organizations in the United States

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Although charitable, educational, and religious organizations (such as the Roman Catholic Church) are thousands of years old and some in the United States (such as Harvard College) were founded in colonial times, the concept of "nonprofit organizations" as a unified and coherent "sector" dates back only to the 1970s.

In fact, over 90 percent of nonprofit organizations currently in existence were created since 1950. Worldwide, most nongovernmental organizations (NGOs) have come into being in the past thirty years. Nonprofits and NGOs are the most rapidly growing types of organizations in the world.

It is difficult to generalize about what nonprofit organizations are, what they do, and how they do it. They vary enormously in scope and scale, ranging from informal grassroots organizations with no assets and no employees through multibillion-dollar foundations, universities, religious bodies, and health care complexes with thousands of employees or members. While some provide traditional charitable, educational, and religious services, the law in many countries, including the United States, permits them to provide almost any kind of good or service on a not-for-profit basis. Sources of revenue vary: some nonprofits are supported by donations, others depend on income from sales of goods and services, and many receive most or all of their revenues from government. Modes of governance range from the autocracy of sole trustees selected from among the descendants of charitable donors through broadly representative

boards composed of ex officio elected officials or directors elected by members of the organization.

Because of the complexity and diversity of nonprofit organizations, the term *nonprofit* itself has a variety of meanings. It can refer to entities classified by the Internal Revenue Code as 501(c)(3) charitable tax-exempts or to a more inclusive universe of 501(c)(4) civic organizations, which are themselves exempt from taxation but do not allow deductibility of donations. Good arguments can be made for including other noncharitable nonprofits such as cemeteries; veterans' and fraternal and sororal organizations (such as the Masons and the Elks); political parties; and other organizations covered by section 501(c). However inclusive, restricting the term to organizations accorded nonprofit status by the tax code remains problematic, since it does not include churches and other religious organizations that enjoy the privileges of 501(c)(3)s but are not legally required to incorporate or seek exempt status. There is also a vast realm of unincorporated associations (such as Alcoholics Anonymous and other self-help groups) that perform many of the functions of incorporated nonprofits as providers of charitable, educational, and religious services but whose assets do not merit—or that ideology does not permit—formal institutionalization.

Because their numbers have grown so rapidly, because they are so diverse, and because their impact is so far-reaching—touching on every aspect of our lives and every level of institutions—nonprofits have been the focus of intense controversy as legislators, the courts, and the public have struggled to come to terms with this organizational revolution. At the same time, because the nonprofit universe has been in a process of emergence, everyone within it had to struggle to define and legitimate it.

For all these reasons—diversity, complexity, and disagreement about how to define them—nonprofits pose particular difficulties for scholars trying to explain their history. While elements of the "nonprofit sector" date back to biblical and classical times (religious bodies, for example), other important aspects of it are entirely new (hospitals and universities, for instance). At best, in trying to understand the history of nonprofits, we can identify the various ideas and institutions that make up today's nonprofit domain and show how they have evolved over time.

ASSOCIATIONS IN EARLY AMERICA

The basic legal vehicles of today's nonprofits—the corporation and the trust—were known to colonial Americans. Philanthropy and volunteer service—giving money and time—were also features of early American life. But because the colonists understood the role of government and the rights and responsibilities

of citizenship so differently, these vehicles and practices little resembled the forms they take in modern America.

To begin with, there was no clear demarcation between the public and the private realm. All corporations, to the extent that they were permitted to exist, were considered public agencies (Davis, 1918; Dodd, 1960; Hurst, 1970; Seavoy, 1982). Most common were municipal corporations: townships (Hartog, 1983). In most colonies, religious congregations were public corporations supported by taxation and enjoying monopoly powers. The early colleges, Harvard (founded in 1638), William and Mary (1689), and Yale (1701), were sustained by government grants and governed by clergymen who, as officials of the government-supported ("established") churches, were public actors (Whitehead 1976). No private corporation as we understand the term today existed in America before the 1780s. Many of these institutions—churches, townships, and colleges—accepted gifts and bequests from donors and held them in trust as endowments, though it would be decades before American courts would have the power to enforce or adjudicate trusts.

Citizens often pitched in to maintain roads, to build meetinghouses, to fight with militias, and to assist with other public tasks (McKinney, 1995). While superficially resembling modern volunteers, these citizens were usually compelled by law to labor on behalf of the public. Service of this kind was a common way of paying taxes in a primitive colonial economy in which barter usually took the place of money. Militia duty and service in public office were often required by law—and those who failed to "volunteer" to serve were often punished by fines.

Despite obvious differences, these colonial institutions resembled modern nonprofits in important ways (Zollmann, 1924). They were self-governing, with decisions made by members who often delegated power to governing boards. More important, they had no owners or stockholders. As public bodies, they were exempt from taxation. And like modern nonprofits, they could accept donations and bequests for charitable purposes, such as supporting education and poor relief.

During the eighteenth century, population growth, economic development, and closer contact with England and other European countries changed American institutions. More people and the founding of new towns made it harder to maintain social and political unity. Artisans, merchants, and laborers living in seaports, dependent on trade and exposed to new ideas from Europe, developed different ways of thinking and living from subsistence farmers living in isolated landlocked villages. Even in the backcountry, conflict developed between farmers who began to grow crops for sale to urban merchants—tying themselves to the emerging market economy—and those who continued to produce largely to satisfy their own needs. To complicate matters, England's efforts

to integrate the colonies into its growing commercial empire brought political changes. In many colonies, elected officials were replaced by royal appointees, and the Congregationalist religious monopoly was broken by the establishment of Anglican churches.

New ideas accompanied these social, economic, and political changes. Out of a century of religious warfare and political strife in Europe came philosophies that asserted the "natural rights" of citizens, including freedom of speech, assembly, and worship, and questioned the authority of arbitrary and oppressive government (Bailyn, 1992). New ideas also included more sophisticated understandings of law, particularly as it affected economic rights (Katz, 1971; Katz, Sullivan, and Beach, 1985; Nelson, 1975; Horowitz, 1977).

Closer ties to Europe brought not only new ideas but also new institutions. After an apprenticeship as a printer in London, young Benjamin Franklin returned with firsthand knowledge of the various kinds of voluntary associations being formed by English tradesmen (Morgan, 2003). Freemasonry, a fraternal order whose members were committed to a variety of radical political and religious ideas, spread rapidly through the colonies in the mid-1700s. Masonry provided a model for other forms of private voluntary associations, most notably Franklin's Junto, a club of young Philadelphia tradesmen who pooled their books, trained one another in debating and writing, and supported one another's political and economic ambitions.

Closer ties with Europe also transformed American religious life as evangelists associated with dissenting sects crossed the ocean to spread their doctrines (Ahlstrom, 1972; Finke and Stark, 1992; Hatch, 1989; Butler, 1990). Soon American cities and towns were filled with competing churches, with Methodists, Baptists, and other religious enthusiasts crowding out the older Congregationalists and Methodists. Although Pennsylvanians and Rhode Islanders had long enjoyed religious toleration, the notion that people could freely choose how to worship and were free to form and support their own congregations, free of government interference, was a novel idea to most Americans. In many places, religious dissenters demanded and succeeded in obtaining many of the same rights as members of established churches, including exemption of their congregations from taxation. This set an important precedent for the secular associations that would proliferate in the nineteenth century.

The American Revolution drew on all these intellectual and organizational developments: religious revivals and political theories that affirmed the importance of individual rights, experience in organizing voluntary associations, and the use of associations in politics. Groups like the Sons of Liberty and the Committees of Correspondence helped mobilize citizens to fight for American independence.

VOLUNTARY ASSOCIATIONS IN THE NEW REPUBLIC, 1780–1860

Despite their importance during the Revolution, many Americans distrusted voluntary associations and feared the power of wealthy private institutions. These feelings were fueled by popular uprisings like Shays's Rebellion, in which Revolutionary War veterans led armed resistance to tax collectors, and the establishment of the Society of the Cincinnati, an association of army officers that critics believed sought the creation of a titled aristocracy. This fueled resistance to efforts to charter corporations and to enact legal reforms that would make it easier to set up and enforce charitable trusts.

Led by Virginia, many states actively discouraged private charity (Wyllie, 1959; Miller, 1961). In 1792, the Commonwealth of Virginia annulled the British laws that authorized the establishment of charitable trusts and confiscated endowments administered by the Anglican Church. Favoring public over private institutions, Virginia established the first state university in 1818 (Dabney, 1981). This would become a common pattern in many southern and western states.

The South was not alone in its suspicion of private charitable enterprise. In 1784, New York established the Regents of the University of the State of New York, a regulatory body that oversaw all charitable, education, religious, and professional organizations. In the 1820s, the state enacted laws limiting the size of institutional endowments and the size of bequests that testators could leave to charity.

In contrast, the New England states actively encouraged private initiatives of all sorts. By 1800, Massachusetts and Connecticut had chartered more corporations than all the other states combined. Voluntary associations—formal and informal; religious and secular—flourished. By the 1820s, legal reforms gave further encouragement to private charities by protecting trustees from liability and liberalizing the kinds of investments they could make. As a result, the New England states became national centers for education, culture, and science as the wealth from the region's industrializing economy poured into the coffers of its colleges, hospitals, libraries, and museums (Hall, 1982).

These growing differences in the treatment of private associations, charity, and philanthropy inevitably had political consequences. With the rise of popular politics and the intensification of efforts to disestablish churches in states where some religious groups still enjoyed monopoly privileges and tax support, conservative elites went on the defensive, using colleges and other private institutions to protect their power. These struggles came to a head in the Dartmouth College Case (*Trustees of Dartmouth College* v. *Woodward,* 17 U.S. 518, 1819; Tobias, 1982). In 1819, the U.S. Supreme Court was asked to decide whether

the state of New Hampshire had exceeded its powers in taking over a privately endowed educational institution and turning it into a public institution. The court, in ruling that a corporation was a private contract and hence protected by the contracts clause of the United States Constitution, gave assurance to donors that the institutions they founded and supported would be safe from government interference. Later, in the Girard Will Case (*Vidal* v. *Executors of Girard,* 43 U.S. 127, 1844), the Court would affirm the legal basis for private philanthropy, even in states like Pennsylvania, which had annulled British charity statutes.

Because the Constitution granted significant power to the states, these federal court decisions had limited impact. Every state had its own laws governing corporations, associations, and charities. Some, like the states of New England, encouraged private philanthropy and protected charitable corporations. Most, however, restricted private initiatives and, as a matter of public policy, favored public ones. This preference did not, it should be noted, preclude private giving to public institutions. State colleges and universities, public libraries, and other government-run agencies benefited from this growing practice of public philanthropy.

During the first half of the nineteenth century, voluntary associations played increasingly important roles in the nation's public life. Political parties, embryonic in 1800, had become powerful national institutions. As Americans became concerned about slavery, drunkenness, violations of the Sabbath, treatment of the insane, and other causes, voluntary associations, organized on a national basis with state and local chapters, became the preferred vehicles for social movements promoting reform. Churches began organizing themselves into national denominations that supported a wide variety of educational and charitable initiatives, domestic and foreign missions, and substantial publishing enterprises (Foster, 1965; Mathews 1969). Fraternal organizations, such as the Masons and the Odd Fellows, commanded the loyalties of hundreds of thousands of Americans (Skocpol and others, 1998) .

Beginning in the 1830s, European emigrants, displaced by war, revolution, and economic distress, began to flock to our shores. Some, like the Germans, brought with them their own rich traditions of voluntary action. Others, like the Irish, brought forms of charitable engagement. The Roman Catholic Church, to which many Germans and Irish belonged, began creating a benevolent empire of schools, orphanages, temperance societies, and social welfare organizations to serve its members. Although its hierarchical structure excluded laity from involvement in church governance, the church became an increasingly important factor in the nation's associational life (Dolan, 1992; Oates, 1995).

In addition to these national associations, there were thousands of free-standing local charitable corporations and voluntary associations devoted to

practically every imaginable purpose (Ryan, 1981). As the French visitor Alexis de Tocqueville noted while visiting America in the 1830s:

> Americans of all ages, all conditions, and all dispositions constantly form associations. They have not only commercial and manufacturing companies, in which all take part, but associations of a thousand other kinds, religious, moral, serious, futile, general or restricted, enormous or diminutive. The Americans make associations to give entertainments, to found seminaries, to build inns, to construct churches, to diffuse books, to send missionaries to the antipodes; in this manner they found hospitals, prisons, and schools. If it is proposed to inculcate some truth or foster some feeling by the encouragement of a great example, they form a society. Wherever at the head of some new undertaking you see the government in France, or a man of rank in England, in the United States you will be sure to find an association. [1840/1945, p. 106]

In his enthusiasm, de Tocqueville somewhat exaggerated the universality of voluntary associations. While they were used for many purposes and by people at all levels of society, including women and African Americans who were excluded from the political process, there remained significant geographical variations in citizens' willingness to use them, depending on whether state laws restricted their activities and authorities were willing to subsidize them directly, through government grants and contracts, or indirectly through tax exemption.

In states where private initiative was discouraged, tasks of education, healing, and care for the dependent and disabled were often carried out by public agencies. Public provision did not preclude private support, however. State universities accepted private donations. Firefighting in most towns and cities was provided by volunteer companies. Along with newer forms of voluntary action, older traditions of public philanthropy and volunteerism continued to flourish.

NATION BUILDING, 1860–1890

Associations, private charities, and giving and volunteering all played prominent roles in the Civil War (1861–1865), which provided opportunities for further advancing the claims of private eleemosynary enterprise. Among the first units to rally to the defense of the Union were private military companies, groups of civilians for whom soldierly training was a form of recreational and social activity. Once the fighting began in earnest, private groups rushed to care for the injured and provide comfort for soldiers still in the field. The United States Sanitary Commission, the United States Christian Commission, and other groups organized fundraising events, made clothing and bandages, and mobilized volunteers in towns and cities throughout the country to meet the medical,

public health, and other needs of armed forces (Brockett, 1864; Cross, 1865; Moss, 1868; Frederickson, 1965).

At the war's end, the victorious Union faced the immense task of "reconstructing" states devastated by fierce fighting and preparing millions of slaves for freedom (Fleming, 1906; McFeely, 1968; Butchart, 1980; Richardson, 1986). To do this, the government turned to voluntary organizations to build and staff schools, to teach civic and vocational skills to newly freed men and women, and to reform southern industry and agriculture (Swint, 1967). Reconstruction also showed some of the darker possibilities of voluntary associations as embittered southerners organized groups like the Ku Klux Klan to terrorize blacks and the northern volunteers who were helping them.

The Civil War transformed America, not only establishing the preeminent authority of the federal government in important areas such as civil rights but also unifying the country economically and culturally. Military needs had forced standardization of railroad equipment, consolidation of the telegraph industry, and the creation of a national financial market, centered in New York. Government spending and growing demand from an increasingly urbanized population fueled increases in the scope and scale of manufacturing and commercial enterprises that sought national and international markets. The government-funded transcontinental railroad, completed in 1869, opened vast areas of the West for agricultural and industrial development. Growing industries and advancing technology required managers and experts for efficient and profitable operation.

Educational institutions found opportunities in this prospect of unbounded growth. "The American people are fighting the wilderness, physical and moral, on the one hand, and on the other are struggling to work out the awful problem of self-government," declared Harvard's new president, Charles W. Eliot, in 1869. "For this fight they must be trained and armed." Having spent the war years in Europe studying the relationships between higher education and economic development, Eliot himself was well prepared to lead the transformation of Harvard, a sleepy local college before the war, into a modern research university.

Eliot's clarion call was met with enthusiasm. Gifts and bequests to the university increased from $1.6 million for the period 1841–1865 to $5.9 million for the years 1866–1890 (Sears, 1922). Business leaders largely replaced clergymen and lawyers on its governing boards (Veblen, 1918). Curricular reforms encouraged specialization, while new graduate departments and professional schools provided facilities for advanced training and research (Veysey, 1965; Rudolph, 1968; Hawkins, 1972). Harvard's transformation into a research university set the pace for American higher education—and the generosity and imagination of its donors set a standard for philanthropists throughout the country (Curti and Nash, 1965).

Universities became hubs for a universe of new associational and philanthropic institutions and activities (Bledstein, 1976; Hawkins, 1992; Geiger, 1986, 1993). Hospitals, museums, and other arts organizations became research centers, closely tied to university medical schools, scientific disciplines, and new programs in the fine arts and music (Fox, 1963; Starr, 1982; Di Maggio, 1986). New academic disciplines and professions gave rise to professional and scholarly societies (Buck, 1965; Haskell, 1977). University-trained managers and experts became increasingly important not only to industry but also to governments, which were beginning to grapple with the social welfare, public health, transportation, and policing problems of growing cities (Wiebe, 1967; Brint, 1994).

Beginning in the 1870s, the American economy was shaken by a series of crises. The collapse of the stock market in 1873 was the beginning of a depression that lasted for years and impoverished hundreds of thousands of workers. Economic distress encouraged the growth of labor unions and radical political organizations whose conflicts with employers and government authorities became increasingly violent. In 1877, a national railroad strike provoked large-scale rioting and looting in major cities. In 1886, labor's campaign for a ten-hour workday culminated in the Haymarket bombing in Chicago, which killed a dozen policemen and led to the roundup and execution of radical politicians and journalists.

Among the few calm voices in the period was that of a Pittsburgh steel executive, Andrew Carnegie (Wall, 1970). An immigrant from Scotland, Carnegie had worked his way up from being a child laborer in a textile mill to serving as the right-hand man of the president of the Pennsylvania Railroad. From there, he became a pioneering and fabulously successful steel manufacturer. By the 1880s, he was well on his way to becoming one of America's wealthiest men.

In 1886, Carnegie began writing a series of articles on the labor crisis that argued that shorter hours, better working conditions, and employer recognition of workers' right to organize were in the interests of both capital and labor. At the same time, he suggested that the enlarged scope and scale of modern industry had fundamentally changed not only economic relationships but also the nature of political life (Carnegie, 1886a, 1886b). He summed up his thinking in an 1889 essay, "Wealth," which urged the "men of affairs" who had most profited from advanced industrial development to use their "genius for affairs" to reinvest their fortunes in society. Inherited wealth, he believed, was bad both for heirs and for society—and he went so far as to recommend confiscatory estate taxation to prevent the passing on of large fortunes (Carnegie, 1889). More important, he argued that intelligent philanthropy could not only eliminate the root causes of social problems but also sustain the competitive processes essential to continuing progress.

Carnegie was harshly critical of traditional charity, which, he believed, only responded to suffering rather than addressing the causes of poverty. "It were better for mankind that the millions of the rich were thrown into the sea," he wrote, "than so spent as to encourage the slothful, the drunken, the unworthy. Of every thousand dollars spent in so-called charity today, it is probable that nine hundred and fifty dollars is unwisely spent—so spent, indeed, as to produce the very evils which it hopes to mitigate or cure" (Carnegie, 1889).

"The best means of benefiting the community," Carnegie urged his fellow millionaires, "is to place within its reach the ladders upon which the aspiring can rise"—"institutions of various kinds, which will improve the general condition of the people; in this manner returning their surplus wealth to the mass of their fellows in the forms best calculated to do them lasting good" (Carnegie, 1889). This included libraries, parks, museums, public meeting halls (like New York's famous Carnegie Hall), and educational institutions.

In popularizing the idea that businessmen could use the same "genius for affairs" that had made them rich to reform society, Carnegie set an example for his fellow tycoons. Before Carnegie, most philanthropy had been small-scale and conventional. After Carnegie, philanthropy, organized and focused through foundations, would assume an unprecedented scale and scope, becoming an important source of innovation in addressing problems of education, health, and social welfare.

The consolidation of American political, economic, and social institutions between the Civil War and the First World War was as much the result of the actions of elite institutions like universities and powerful leaders like Andrew Carnegie as it was the outcome of associational activity at all levels in society (Sklar, 1988). In the second half of the nineteenth century, America became, in Arthur Schlesinger Sr.'s phrase, "a nation of joiners" (1944, p. 24). Immigrants, who flooded the nation in ever-growing numbers, organized mutual benefit associations that gave them solidarity and provided help in times of sickness and distress (Soyer, 1997; Li, 1999). Physicians, lawyers, engineers, and other professionals organized associations to set standards, exchange information, and pressure government (Calhoun, 1965; Calvert, 1967; Auerbach, 1976; Abbott, 1988; Kimball, 1995). Businesses organized trade associations to advocate for legislation favoring their interests (Naylor, 1921). Wage earners organized trade unions to press employers to improve pay and working conditions. War veterans organized the Grand Army of the Republic to promote sociability and to advocate for pensions and other benefits. Advocacy groups, which drew members from across the social spectrum, agitated for prohibition, women's suffrage, civil service and charities reform, and other causes (Clemens, 1997). Most important of all were the fraternal and sororal organizations—the Freemasons, Odd Fellows, Knights of Columbus, Rebekahs, and dozens of others—whose chapters became centers of sociability and civic activity, as well as sources of

social insurance, for men and women throughout the country (Dumenil, 1984; Beito, 2000; Kaufman, 2002; Skocpol, 2003).

Widespread participation in these broad-based associations was probably the most powerful and effective school of democracy. By participating in associations, citizens learned how to be self-governing, to argue and persuade, to raise funds and manage finances, to form alliances and coalitions. The fact that most of these associations were national entities whose architecture mirrored that of government itself—with national, state, and local organizations—helped bind the nation together by accustoming Americans to engaging with one another beyond the locality. If, as de Tocqueville suggested, Americans in the first half of the nineteenth century had learned the principle of association in their schoolyards, in the second half of the century associations became the great school of democracy, teaching adults and children alike the values and skills needed for a vibrant and inclusive public culture.

NEW CHARITABLE VEHICLES, 1890–1930

The kind of large-scale targeted giving Carnegie recommended faced a number of obstacles. The most important of them were legal barriers to private charity in states like New York. At the time that Carnegie wrote, New York state courts had already invalidated a million-dollar bequest to Cornell on the grounds that the donation, if accepted, would render the university's endowment larger than the amount that the legislature had authorized it to hold. The courts had also invalidated former presidential candidate and corporation lawyer Samuel Tilden's multimillion-dollar charitable bequest to establish the New York Public Library (Ames, 1913). Without major legal reform, the wealthy, who were increasingly gravitating to New York, the nation's financial center, could not be philanthropically generous even if they wanted to be.

Another obstacle was the lack of organizational vehicles for large-scale philanthropy. Wealthy men like the devoutly religious John D. Rockefeller, who controlled America's petroleum industry by the 1890s, tried to be conscientious givers, personally considering and carefully weighing the thousands of begging letters that poured into their offices (Harr and Johnson, 1988; Chernow, 1998). Rockefeller's situation was summed up by his chief assistant, John W. Gates, who exclaimed to his employer, "Your fortune is rolling up, rolling up like an avalanche!" he told him. "You must keep up with it! You must distribute it faster than it grows! If you do not, it will crush you and your children and your children's children" (Harr and Johnson, 1988, p.82). The solution was the creation of corporate entities, staffed by experts, to scientifically distribute this surplus wealth. The problem was that American law had traditionally required that charitable trusts be specific in designating classes of beneficiaries.

The failure of the Tilden Trust, combined with anxieties about the increasing anger of average Americans toward the rich and big business, fueled a coordinated effort to reform charity laws in the leading industrial states ("American Millionaires," 1893). By 1893, New York, Pennsylvania, Ohio, and Illinois had altered their charity statutes, permitting the kind of wholesale philanthropy that Carnegie had advocated. Philanthropists proceeded cautiously onto this new legal ground. The first recognizably modern foundations included Rockefeller's General Education Board, established in 1901 to benefit black schools in the South) but later broadened to include higher educational nationally, Andrew Carnegie's Carnegie Endowment for the Advancement of Teaching, established in 1905, and Margaret Olivia Slocum Sage's Russell Sage Foundation, established in 1907 to systematically address social welfare issues on a national basis (Fosdick, 1962; Lagemann, 1999; Glenn, Brandt, and Andrews, 1947; Hammack and Wheeler, 1994). In 1911, Carnegie took the bold step of establishing the largest foundation of all, the Carnegie Corporation of New York, for the general purpose of "the advancement and diffusion of knowledge and understanding" (Lagemann, 1992).

John D. Rockefeller, not to be outdone and smarting from the court-ordered breakup of the Standard Oil monopoly, applied to Congress for a charter for a $100 million foundation dedicated to "the betterment of mankind" (Fosdick, 1952). The request set off a furor among politicians and journalists, who worried about the influence foundations of this size could have on public policy and about their economic power. Rockefeller eventually obtained a charter from the New York state legislature in 1913.

Concerns about the power of foundations and the continuing concentration of wealth continued to grow. In 1915, Congress empanelled the special Commission on Industrial Relations, which held well-publicized hearings over a period of two years (U.S. Congress, 1916). The charges aired during these hearing led foundations to be cautious and secretive about their involvement in public affairs—a stance that would fuel public suspicions of philanthropy's motives and methods that would erupt periodically for the rest of the century (Katz, 1981).

Grantmaking foundations were not the only new charitable vehicles created in the decades before the First World War. In 1910, Cleveland's chamber of commerce convened a committee to consider problems of charitable fraud, abuse, and inefficiency. Appeals for charity were multiplying, but donors had no way of knowing whether they came from reputable organizations. The number of charitable organizations seek aid was increasing, producing duplicated efforts and wasted resources. The donor base was shrinking, with an increasing proportion of donations coming from a smaller number of donors. The committee eventually brought forth a new kind of charity—the Community Chest (Seeley and others, 1957; Cutlip, 1965). Led by businessmen, the Community Chest pro-

posed to conduct a single annual fund drive for all of Cleveland's charities. The organization's distribution committee would assess the city's charities and allocate funds to the most worthy. The Community Chest proposed to broaden the donor base by soliciting employees of the city's business firms. Aggressively publicized, the Community Chest idea spread rapidly. By 1930, hundreds of towns and cities had adopted this form of federated fundraising. The Community Chest is the ancestor of today's United Way.

Cleveland also fostered cooperation among the city's social agencies through its Charities Federation. Establishing lines of communication between agencies allowed them to coordinate their activities, improve their management, and use their resources more efficiently. It also enabled private agencies to work more closely with government to address social problems.

The Community Chest and the Charities Federation addressed problems of current giving and spending. In 1925, Cleveland banker Frederick Goff sought to make the establishment and management of charitable endowments more efficient. He proposed the idea of the community foundation, an institution empowered to receive charitable trusts of various sizes and for various purposes (Hall, 1989b; Hammack, 1989; Magat, 1989). These would be placed under common management under the authority of a board made up of leading bankers. A distribution committee, often made up of public officials and others serving ex officio, would allocate undesignated or discretionary funds to worthy organizations. Like the Community Chest, the community foundation was intended to democratize charitable giving while at the same time giving civic leaders control of a community's charitable resources.

None of these innovations would have been possible without the enthusiastic backing of business leaders. Not only did their ideas and money sustain charitable, educational, and religious institutions, but their companies also became important to the effort to improve society (Heald, 1970; Hall 1989a). Under the banner of "welfare capitalism," corporations not only contributed generously to community institutions but also established pension plans, initiated educational programs, and supported social and athletic activities for their employees and their families (Brandes, 1976; Brody, 1980). Many firms sold products intended to improve Americans' health and quality of life.

These charitable innovations were only a small part of a far broader associational revolution in the first three decades of the twentieth century. Membership in fraternal and sororal organizations peaked in numbers of organizations and members in the mid-1920s (Skocpol, 2003). Businessmen's service organizations—Rotary, Kiwanis, Lions, and others—appeared in every town and city (Charles, 1993). Businesses organized trade associations to advocate, lobby, and educate the public and government about their interests. Herbert Hoover, writing in 1922, envisioned these trade associations working closely with other kinds of "voluntary organizations for altruistic purposes" (p. 42) to advance public

welfare, morals, and charity; to elevate public opinion; to improve public health; and to solve social problems combining the pursuit of self-interest with higher values of cooperation and public service (Hoover, 1922; Galambos, 1966; Hawley, 1974, 1977; Karl, 1969, 1976). A nation based on public interest volunteerism, he believed, would not need the radical remedies of socialism and communism to address problems of inequality and injustice.

Accompanying this associational revolution was a related transformation of fundraising (Cutlip, 1965). As the needs of hospitals, universities, and other organized charities grew, fundraising became professionalized. Firms like John Price Jones & Company combined sophisticated business methods with aggressive marketing techniques in raising funds for the World War I loan drives and later for Harvard and other universities.

Reform-oriented social movements and other kinds of organized advocacy continued to grow during this period (Sealander, 1997). Efforts to eliminate child labor, enfranchise women, restrict immigration, and protect the rights of minorities influenced public policy through demonstrations, advertising campaigns, lobbying, and litigation. Particularly notable were the efforts of the National Association for the Advancement of Colored People (NAACP) and other groups in the vanguard of the effort to halt the epidemic of lynchings and race riots in which thousands of black citizens perished between 1890 and 1930. Sadly, perhaps the most influential social movement of the period was the revived Ku Klux Klan, which during the 1920s commanded the loyalty of hundreds of thousands of followers throughout the country, directing its energies against African Americans, Jews, Catholics, labor organizers, and others.

BIG GOVERNMENT, THE NONPROFIT SECTOR, AND THE TRANSFORMATION OF PUBLIC LIFE, 1930–1980

Between 1930 and 1980, American public life was transformed by huge growth in the scope and scale of government, which in turn stimulated commensurate expansion of private institutions. The two were closely connected since government, as it took on increasing responsibilities for managing economic, political, and social matters, was able to use its awesome power to stimulate growth and activity in the private sector. Just as the public sector activities like construction of the interstate highway system and petroleum industry subsidies stimulated the growth of the privately owned automobile industry, so public sector subsidies of charitable giving (tax breaks for donors, exemptions for charities, voucher programs like the G.I. Bill, and increasingly generous grants and contracts) stimulated the growth of nonprofit enterprises of every kind.

This was an incremental process. In the 1930s, no one envisioned that the emergency powers assumed by the federal government to deal with the Great Depression would become permanent and central features of public life. Nor could anyone imagine the extent to which the increasing activism of government would stimulate the growth of the private sector.

The nation was ill-prepared to deal with the catastrophic economic collapse that began with the stock market crash of October 1929. Even if the discipline of economics had been better developed, its retrospective insights could not have offered much understanding of this unprecedented event. In any event, government lacked the necessary tools of economic management to engage problems of mass unemployment and business failure on this scale.

President Herbert Hoover, a millionaire mining engineer who had entered politics with an international reputation as a humanitarian, was philosophically opposed to the idea of big government. His attempts to deal with the Depression through the system of voluntary associations whose growth he had fostered as secretary of commerce and later as president, proved ineffective. His successor, Franklin D. Roosevelt, entered office with similarly conservative views. The centerpiece of his recovery program, the National Recovery Administration (NRA)—with its motto "We do our part"—was similarly based on voluntaristic principles, promoting economic revival through cooperation between business and government (Himmelberg, 1976).

When the NRA was declared unconstitutional in 1935, Roosevelt turned to more activist remedies, with attempts to restore consumer buying power through massive public works projects like the Works Projects Administration (WPA) and the Civilian Conservation Corps (CCC), agricultural subsidies, and a national system of social insurance (Social Security). He also proposed major tax reforms, which introduced steeply progressive income and estate taxes with the intent of using the tax system to redistribute the wealth owned by the richest Americans. These tax reforms had little impact on average Americans, few of whom earned enough money to owe income tax. But they proved to be a powerful incentive for the wealthy to avoid taxation through large-scale charitable giving.

Roosevelt's New Deal established the paradigm for the later growth of government. While the federal government increased the scope of its responsibilities and assumed leadership for making policy in important areas, most federal programs were carried out by state and municipal agencies and by nongovernmental organizations funded by government contracts, user fees, and private contributions indirectly subsidized through tax exemptions and deductions.

During the Second World War and afterward, as the United States assumed leadership of the free world, federal government policies played a key role in stimulating growth in the number and importance of nonprofit organizations.

The most important of these involved taxation (Witte, 1985; Webber and Wildavsky, 1986). The income tax, which few Americans had had to pay before the 1940s, was universalized: not only were most wage and salary earners subject to it, but the government began withholding estimated tax liabilities from employees' paychecks. At the same time, tax rates were sharply increased on estates and business corporations. The intent of the new tax policies went beyond gathering revenue for government: "loopholes"—exemptions, deductions, and tax credits—were provided to encourage charitable giving to private institutions classified as tax-exempt by the Internal Revenue Service (IRS) (Howard, 1997). The growth of nonprofit organizations was also stimulated by increased spending in the form of government grants, contracts, and vouchers (like the G.I. Bill, which subsidized higher education for returning soldiers).

These policies had dramatic effects (Weisbrod, 1988). By 1940, there were only 12,500 charitable tax-exempt organizations registered by the IRS—along with 179,742 religious congregations (which did not have to apply for exemption) and 60,000 noncharitable nonprofits (such as labor unions and fraternal associations) that enjoyed various tax privileges.[1] By 1980, there were 320,000 charitable tax-exempt nonprofits, 336,000 religious bodies, and 526,000 noncharitable nonprofits. Today, there are more than 600,000 charitables, 400,000 religious congregations, and 600,000 noncharitables—a total of more than a million and a half nonprofits of various types (Hall and Burke, 2004). Government policies played a crucial role in fueling the growing scope and number of nonprofit organizations, not only indirectly by creating incentives for individuals and firms to contribute to private organizations serving governmental ends but also directly through grants and contracts. By the 1970s, between 12 and 55 percent of total nonprofit revenues were direct payments from the federal government (Salamon, 1987).

Although the scope and scale of its responsibilities vastly increased in the second half of the twentieth century, the size of the federal government—at least as measured by the size of its civilian workforce—did not. The number of federal civilian employees remained unchanged between 1950 and 2000, while the number of state and local employees doubled and tripled, respectively, and the number of nonprofit organizations grew from the thousands to more than a million. Quite clearly, "big government" as it developed after the Second World War took a very different form than conventionally supposed. Doing its work through states and localities and through policies that encouraged flows of resources to private actors, the American welfare state was a remarkable example of what Lester Salamon has called "third-party government." (See Chapter Four for more about the relationship between governments and nonprofit organizations.)

Of the proliferating organizations in the nonprofit sector, none attracted more attention in the years following the war than foundations (Andrews, 1950). As taxes on incomes and estates increased, the founders of the huge fortunes built

in the boom years of the twentieth century were increasingly likely to use foundations as mechanisms for avoiding taxation. When Henry Ford died in 1947, stock in his closely held company was divided into two classes (MacDonald, 1956; Greenleaf, 1964; Nielsen, 1971; Sutton, 1987). The voting stock was retained by the family, and the nonvoting securities were given to the Ford Foundation, which sold them at an immense profit. The Ford Motor Company passed to the next generation without paying a penny in taxes—and the largest foundation in the world was created in the process.

Stratagems like this helped fuel an enormous increase in the number and importance of foundations. From a mere 203 in 1929, the number of foundations with assets exceeding $1 million grew to 2,058 by 1959, the vast majority of them established in the 1950s (*Foundation Directory*, 1960; Andrews, 1956). In 1929, their assets represented only 10.7 percent of the total property controlled by charitable tax-exempt organizations; by 1973, their share was 21.7 percent. Thanks to liberalized laws regarding corporate philanthropy, the growing universe of private and community foundations was further enlarged by corporate foundations and organized corporate contributions programs (Andrews, 1952; Useem, 1987; Hall, 1989a; Himmelstein, 1997).

While Ford and other foundations established by wealthy families at this time undoubtedly performed valuable services, some politicians and journalists wondered whether average citizens, who were becoming increasingly sensitive to their own tax burdens, either approved of the loopholes that permitted multimillionaires to evade taxes or sympathized with the sometimes controversial uses of foundation grants (Lundberg, 1968; Nielsen, 1971; Andrews, 1969). Between 1952 and 1969, congressional committees investigating foundations and "other tax-exempt entities" cast an increasingly skeptical eye on their activities. With the federal government assuming primary responsibility for education, health, and social welfare, many Americans wondered whether private philanthropy, subsidized by tax breaks, had outlived its usefulness.

Despite these periodic outbursts of regulatory enthusiasm, funds from foundations, corporations, and new government programs (the National Institutes of Health, National Science Foundation, National Endowment for the Arts, and National Endowment for the Humanities, among others) continued to fuel the growth and transformation of nonprofit enterprises. Industries like the performing arts and health care, which had been almost entirely for-profit in ownership before 1950, became dominated by nonprofit firms in the course of the next half-century. On the other hand, industries like elder care, which had been largely nonprofit, became for-profit in ownership as government social and medical insurance programs made nursing homes an increasingly profitable enterprise.

The increasing centrality of government also encouraged the growth of special-interest advocacy organizations as stakeholders affected by or benefiting from government programs sought to influence legislators in their favor (Berry,

1977, 1997; Jenkins, 1987; Jenkins and Craig, 1986; Jenkins and Halcli, 1999). Policy research ("think tanks") and policy advocacy groups like the Business Advisory Council, the Conference Board, the Committee for Economic Development, and the Business Roundtable, formed a privatized policy establishment (Critchlow, 1985; Smith, 1991a, 1991b; Rich, 2004).

Increasing government activism and foundation funding also stimulated grassroots social movement activity intended to influence public policy. The civil rights movement of the 1950s and 1960s gave rise to a host of movements promoting the rights of women, children, the unborn, the disabled, the health of the environment, and a variety of international causes (Minkoff, 1995; Proietto, 1999; Berkeley Art Center Association, 2001; Fleischer and Zames, 2001; Minton, 2002; Stroman, 2003). On the whole, these social change organizations differed in significant ways from their nineteenth-century predecessors. Earlier organizations had been broadly based membership organizations in which volunteers and local chapters played central roles. Late-twentieth-century social change organizations were increasingly likely to be based in the national capital and to be run by professional managers, policy experts, communications specialists, and lobbyists (Skocpol, 2003).

Changing political culture, combined with a more educated, affluent, and mobile citizenry, helped kill off traditional kinds of voluntary associations. Membership in fraternal and sororal organizations began to drop sharply after the Second World War as Americans moved to the suburbs and substituted television and other privatized forms of entertainment and recreation for more collective forms of social engagement (Skocpol, 1999). Even such venerable organizations as the Parent-Teacher Association (PTA) began to decline as suburban parents preferred to devote their energies to parent-teacher organizations focusing more narrowly on the schools their own children attended rather than broader educational issues (Crawford and Levitt, 1999). According to political scientist Robert Putnam (2000), all forms of civic engagement—voting, attending public meetings, church attendance, and participation in athletic associations like bowling leagues—declined sharply after the 1960s.

Taking the place of traditional voluntary and membership-based engagement was a growing domain of narrowly focused, professionally managed nonprofit organizations that obtained their funding from a mix of earned revenues, government and foundation grants and contracts, and corporate contributions (Hall, 2003). These organizations were more likely to provide specific kinds of services (child day care, elder care, education, health services) and to engage in advocacy, lobbying, and public education than to promote generalized sociability and civic engagement. Writing on public culture in the late twentieth century, management guru Peter Drucker (1989, p. 204) noted that "the nonprofit organizations of the so-called third sector . . . create a sphere of effective citi-

zenship," a "sphere of personal achievement," in which the individual "exercises influence, discharges responsibility, and makes decisions. . . . In the political culture of mainstream society," Drucker concludes, "individuals, no matter how well-educated, how successful, how achieving, or how wealthy, can only vote and pay taxes. They can only react, can only be passive. In the counterculture of the third sector, they are active citizens. This may be the most important contribution of the third sector.

In his enthusiasm for the possibilities of the sector, Drucker overlooked the fact that organizations that did not depend on volunteers or donations, did not seek to recruit members, and were narrowly focused on service provision and advocacy were likely primarily to engage the energies and interest of "knowledge workers" empowered by the high-tech economy rather than the mass of citizens.[2] It appeared that the "nation of joiners" celebrated by Schlesinger in the 1940s were left without opportunities for joining.

The major exception to this trend was religion. Although rising more slowly than the general population, membership in religious bodies and attendance at worship services increased steadily through the second half of the twentieth century (Finke and Stark, 1992; Fogel, 2000). More impressive were increases in the numbers of congregations and new religious organizations (Roof, 1999). While the mainstream denominations (Catholic, Protestant, Jewish) declined, their place was being taken by freestanding congregations, often of an evangelical bent, and by groups that stood outside the Western religious traditions (Wuthnow, 1998; Eck, 2001). In addition, ecumenical and parachurch organizations like Habitat for Humanity, which drew on members' religious commitment but were nonsectarian, grew steadily (Wuthnow, 1994; Baggett, 2001; Bender, 2003). New religious organizations were more likely to be politically active: the conservative revolution of the 1980s and 1990s owed much to its ability to mobilize voters and bring pressure to bear on legislators (Reed, 1996). Even more important, the new religious organizations were likely to be broadly based in ways that cross lines of class, occupation, education, and ethnicity, making them especially potent in imparting civic values and skills (Verba, Schlozman, and Brady, 1995).

As religious organizations have assumed a new visibility in public life generally, they have also gained recognition as centrally important parts of the nonprofit sector (Wuthnow, 1988; Wuthnow, Hodgkinson, and Associates, 1990; Cherry and Sherrill, 1992; Demerath, Hall, Williams, and Schmitt, 1998). This is the case not only because they constitute a large part of the nonprofit universe but also because they serve as paths of recruitment into secular activities and as platforms for secular or faith-based service provision in a variety of areas. The debate over charitable choice stemming from the welfare reforms of the mid-1990s was not so much an argument about church-state separation as

it was an effort to codify government support for faith-based social services that had been a feature of America's human services regime for decades (Carlson-Thies and Skillen, 1996; Cnaan, 1999, 2002; Chaves, 2001; Hall, 2001).

THE CONSERVATIVE REVOLUTION AND THE NONPROFIT SECTOR, 1980–2000

For much of the twentieth century, foundations and secular nonprofit organizations had been generally associated with liberal political causes. Conservatives, regarding nonprofits as liberal—if not subversive—organizations, had not only sought to curtail their privileges but also generally avoided using nonprofits to advance their own purposes. This began to change after the defeat of Barry Goldwater in 1964, when conservative leaders realized that criticizing liberalism was insufficient as a basis for political success: victory required alternative policies and relentless efforts to sway the public in their favor (Hodgson, 1996). To achieve their ends, conservatives would have to overcome their aversion to nonprofits in order to create their own "establishment" of think tanks, advocacy organizations, and foundations (Blumenthal, 1986; Berry, 1997; Rich, 2004).

A number of factors fueled this resolve. One was the emergence of a new cadre of moneyed conservatives, mostly from fast-developing areas of the South and West, whose wealth was based on defense production and extractive industries (Sale, 1975). They had a vital economic interest in being able to sway government policies in their favor. Another factor was the political mobilization of conservative Christians, particularly in the South, due to civil rights legislation and court decisions on school prayer, abortion, and tax exemptions for segregated private schools that they believed threatened their way of life. The convergence of big new money and a broad-based religious movement with a social agenda created new opportunities for conservative Republicans to begin organizing around "wedge issues" like reproductive rights that broke up long-standing liberal political coalitions. The mobilization of conservative voters, in turn, created the conditions for articulating a positive set of conservative policies that could credibly challenge liberal orthodoxies.

Although moderate Republicans regained control of the party after the Goldwater defeat, the conservatives worked doggedly to seize control of the local and state party organizations—helped along by the 1970s Watergate scandal, which discredited the moderate leadership of Richard Nixon. By the eve of the 1980 election, conservatives were ready to take power with Ronald Reagan as their standard-bearer.

Reagan assumed office with strong opinions on the role of nonprofit organizations in public life. He believed that big government had stifled private ini-

tiative, and he intended to undo the damage through a combination of "jawboning" higher levels of corporate giving (through the President's Task Force on Private Initiatives) and cutting government spending. What he, like most Americans, failed to understand was the extent to which the nonprofit sector had become dependent on government spending. By the time he took office, nearly a third of the annual revenues of private research universities came from government grants and contracts, and direct federal support for nonprofits in industries like human services ranged as high as 90 percent (Salamon, 1987). All in all, as an influential Urban Institute report pointed out in 1982, the federal government had become the largest single source of revenue for secular nonprofit organizations, and for this reason, massive cuts in government social spending would devastate the nonprofit sector (Salamon and Abramson, 1982).

Through the 1980s and into the 1990s, the emphasis in conservative social policy was on devolution (shifting responsibilities to states and localities) and privatization (shifting responsibilities for service provision to private sector actors). The rationales for these policies included the belief that not only would more local and private service provision be more flexible and responsive to the needs of beneficiaries but also that competition for contracts among private providers would also produce greater efficiency and effectiveness in service provision (Olasky, 1992).

Although it remains to be seen whether privatized social services have fulfilled any of these promises, it is clear that among the most important effects of these policies was to increase the need for professionally trained nonprofit managers and entrepreneurs—people who could master an increasingly complex and turbulent policy and funding environment. Although Republican leaders like George H. W. Bush might enthuse about the "thousand points of light" in America's community-serving nonprofit organizations, the reality was that these organizations were being driven by circumstances into being less and less responsive to client and community needs while becoming more businesslike in their attitudes and operations. At the same time, as traditional manufacturing and commercial businesses either disappeared or were driven from urban centers to the suburbs, for-profit enterprises were being rapidly replaced by nonprofit service providers, making the nonprofit sector an increasingly important part of the national economy.

Despite the election of centrist Democrat Bill Clinton in 1992, the conservative revolution entered a new and more radical phase in 1994 when Republicans took control of the House of Representatives and increased their plurality in the Senate. Under the banner of the so-called Contract with America, conservative leaders set out to dismantle the government social programs created during the previous century (Gillespie and Schellhas, 1994). This agenda went well beyond the desire to devolve and privatize without altering the basic tasks of social programs. Rather, it was based on fundamental challenges to a variety

of liberal articles of faith: that the tax system should be used to redistribute wealth, that alleviating poverty required changing social conditions, and that church and state should be strictly separated. Asserting that liberal social programs had succeeded in creating a "permanent underclass" by rewarding welfare recipients for deviant behavior, the conservatives proposed to eliminate most entitlement programs and to strictly limit eligibility. The key to dealing with poverty and dependency, conservatives believed, was changing the values and behavior of the poor. The dependent, the disabled, and the unemployed would have to rejoin the workforce and in doing so would regain their self-respect and self-sufficiency. Not surprisingly, given their heavily sectarian constituency, conservatives looked to religious bodies and faith-based organizations to play central roles in transforming the values and behavior of the poor. Section 104 of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 set forth the terms of government's new relationship to religious nonprofits.

Although the conservative revolution in many ways favored nonprofit enterprises, especially with the huge expansion of contracted programs, it also intensified competition for contracts by allowing for-profit businesses to be eligible for grants and contracts. While conservative education reforms encouraged nonprofits through voucher programs and charter schools, they also put nonprofit schools in competition with for-profit enterprises like the Edison Schools, which, with their access to equity financing, had the capacity to operate entire urban school systems. In such an environment, skilled management, entrepreneurial attitudes, and political acumen became crucial to the survival of nonprofits.

Health care, which until the 1970s had been dominated by nonprofits, underwent major changes as legislators sought to control the rising cost of entitlement programs like Medicare and Medicaid (Gray, 1983, 1986, 1991). As government became more vigilant about health care costs, hospitals were forced to become more businesslike in their operations. Many converted to for-profit ownership. Others, while remaining nonprofit, turned their operations over to for-profit firms. Seeking economies of scale, hospitals consolidated into national and regional chains, as did formerly nonprofit health insurance plans like Blue Cross Blue Shield.

By putting nonprofits in competition with for-profits offering similar services and by demanding higher levels of accountability for decreasing government funding, conservative policies helped erode many of the boundaries between nonprofit and for-profit enterprises (Weisbrod, 1997; Hall, 2003). Nonprofits had to become more commercial and more entrepreneurial to survive. Whether nonprofits' commitments to missions of public service could survive such relentless attention to the bottom line remained in doubt as the twenty-first century dawned (Weisbrod, 1998).

THE NONPROFIT SECTOR AND THE GLOBAL CHALLENGE

Nonstate actors—nonprofit organizations, NGOs, network organizations—are assuming extraordinary importance as the world's economy becomes more globalized (Salamon and Anheier, 1996, 1997; Anheier and Salamon, 1998).[3] Despite growing global flows of goods, information, and labor, the nation-state remains the primary unit of governmental organization, and international governmental bodies remain weak. For this reason, NGOs operating transnationally have become the major mechanisms of world governance (Lindenberg, 1999).

These organizations take a variety of forms (Khagram, Riker, and Sikkink, 2002). Some mediate relationships between states (Brown and Fox, 1998, 1999; Brown, Khagram, Moore, and Frumkin, 2000; Brown and Moore, 2001). Some, like the U.S. Agency for International Development, are governmental bodies operated to serve the interests of the United States by promoting economic development. Others, like the World Bank, the International Monetary Fund, the World Health Organization, and UNESCO, are international quasi-governmental bodies connected to the United Nations and governed by boards representing the UN's member states.

Many NGOs, like CARE, the International Red Cross, and a variety of religious charities, are based in the United States or Europe but conduct their operations elsewhere (Lindenberg and Dobel, 1999). Others are genuinely transnational, based on coalitions of indigenous and transnational NGOs. Often operating in opposition to nation states, these promote human rights, sustainable development, and environmental objectives (Fisher, 1993, 1998; Edwards, 1999). Unlike the quasi-governmental bodies, which deal primarily with governments, these transnational NGOs work directly with indigenous peoples, communities, and organizations. Among the most important of these are groups like CIVICUS, which promotes the development of nonprofit sectors throughout the world. Some of the largest grantmaking foundations, notably Ford, Rockefeller, and the Bill and Melinda Gates foundations, have global programs that fund health, education, research, and economic development activities in developing countries.

The tragic events of September 11, 2001, called attention to the significance of NGOs and network organizations connected to religious movements. Along with terrorist networks like Al-Qaeda, there are Islamic charities and foundations that operate worldwide to support religious education, provide relief, and foster economic and political development in Muslim communities.

In some respects, transnational organizations are nothing new. The scientific community has long been transnational and anchored in nongovernmental professional and disciplinary bodies. Transnational human rights advocacy dates

back at least as early as the anti-slave trade movement of the late eighteenth century. Most major religious bodies are transnational organizations. International relief organizations have been operating since the nineteenth century. Grantmaking foundations have had international programs since the 1920s (Curti, 1965).

Contemporary global and transnational NGOs differ from their predecessors in important respects. Many are genuinely transnational, located either in many countries or, as in the case of Al-Qaeda, not anchored in any nation-state. Beyond the reach of national authorities, these entities are difficult to police and control (Brown and Moore, 2001; Goodin, 2003). Of equal importance is the extent to which transnational NGOs are linked to indigenous organizations outside the advanced nations of Europe and North America. Their capacity to give voice to victims of authoritarian regimes, to protest economic exploitation, and to resist the power of Western corporations and governments has dramatically transformed global public policymaking. Advances in information technology have vastly increased the influence of transnational NGOs, making available information that corporations and governments may attempt to suppress and making it possible for transnational and indigenous groups to form coalitions and alliances. Recent worldwide protests against economic globalization and the U.S. invasion of Iraq may signal the emergence of new kinds of political forces.

The nature of globalization and the role of transnational nonstate actors is far from clear. To some observers, they represent a kind of neocolonialism, the means by which an integrated global economy, anchored in the advanced nations of the West, is being created. To others, they represent a new empowering force for democracy and social and economic justice. One thing is clear, however: nonprofit organizations, so highly developed in the United States in the course of the twentieth century, offer important possibilities to nations engaged in creating their own civil societies.

CONCLUSION

In this chapter, I have followed a long and complex strand of institutional development. Beginning in the seventeenth century, when the nation-state was still emergent, legal systems were primitive, and boundaries between government and private initiative were ill-defined, I have traced the ways in which voluntary associations, eleemosynary corporations, and philanthropy became indispensable components of the national state and the industrializing economy in the United States in the nineteenth century. I have suggested that neither business nor government could stand alone: both required broadly based participation by citizens, producers, and consumers in organizations and activities that

created the shared values and skills that enabled formal institutions of government and business to function effectively.

In the years between 1830 and 1950, the private, donative, and voluntary character of much of nonprofit enterprise seemed self-evident, as did the boundaries between public and private initiative. In the second half of the twentieth century, these defining characteristics became less well-defined as nonprofits on the one hand became more dependent on government subsidies and were increasingly entrusted with responsibilities formerly borne by government agencies and on the other hand became more commercial and entrepreneurial.

Globalization, which has enabled nonprofits to operate beyond national borders, has further eroded traditional boundaries between public and private domains and commercial and charitable activities. Because privatization is a global movement, NGOs outside the United States are increasingly taking the place of nation-states in service provision, relief, and development assistance. Many development activities, such as microloan programs, more resemble commercial activities than charitable ones. And overall, important aspects of the emergent global institutional order depend on the governance functions of NGOs rather than on governmental entities.

In significant ways, today's centrally important but poorly demarcated roles and responsibilities of nonprofits and NGOs are more like those of three centuries ago, when the nation-state was aborning, than like the associations and eleemosynary corporations of a century ago, whose character and functions were relatively well defined and clearly bounded.

History shows, if nothing else, that ownerless collectivities of the nonprofit type are remarkably flexible instruments that can be put to a multitude of uses, empowering the masses in democracies, shaping public opinion for the benefit of elites, carrying out the tasks of government in authoritarian regimes, promoting peace and prosperity, and spreading terror. What the future holds for nonprofits is anybody's guess.

Notes

1. Few tasks are more difficult than accurately counting the number of nonprofit organizations in the United States. The fundamental difficulty involves the definition of the nonprofit universe. In corporation law, a nonprofit is any nonstock-issuing corporation that does not distribute its surplus, if any, in the form of dividends. Under the federal tax code, a nonprofit is any organization or association classified in section 501(c) of the IRS Code—a universe that includes not only charitable entities—501(c)(3)s—but also many other kinds of organizations, including political parties, labor unions, cooperatives, cemetery companies, and black lung trusts. Because some of these noncharitable nonprofits, like those classified as 501(c)(4)s (social welfare organizations, civic organizations, and

associations of employees), engage in many of the same educational and service provision activities as charitables without offering donor deductibility of donations, excluding them from a definition of the nonprofit sector unreasonably narrows the scope of the definition. To complicate matters, religious bodies, which enjoy tax exemption and deductibility of donations by right (and hence are not required to apply for these privileges) are not included in IRS statistics of registered nonprofits—despite the fact that they are the largest single category of nonprofit organization in the United States and receive more than half the funds donated to American nonprofits.

To further complicate matters, many groups engaged in charitable, educational, religious, and other activities associated with nonprofits are unincorporated and do not seek exempt status (Smith, 2000).

2. It is impossible to provide exact figures on the number of donative and voluntary nonprofits versus those supported by dues, fees, commercial income, and grants and contracts from government, corporations, and foundations. Studies of local organizational populations (Hall, 1999) and national membership associations (Skocpol, 1999, 2003) suggest a vast die-off of traditional donative, voluntary, and membership associations and their replacement by professionally managed nonprofit organizations. Despite these trends, such organizations as religious congregations—one of the most vigorously expansive nonprofit domains—remain heavily dependent on volunteers and almost entirely dependent on donations. Counterbalancing this, however, is the huge growth of nonprofit service providers incident to the court-ordered deinstitutionalization of the mentally disabled. These use no volunteers and depend entirely on government subsidies.
3. Walter W. Powell (1990) defines network organizations as " patterns of communication and exchange characterized by "interdependent flows of resources" and "reciprocal lines of communication" (pp. 295–296). An example of a network organization is the open source network of computer programmers cooperating to develop the LINUX operating system. These entities lack the hierarchical structures and financial incentives that are typical of conventional firms.

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